

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
SUPPLEMENTAL RECORD REQUESTS OF THE
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY
D.T.E. 01-81

Date: February 14, 2003

Witness Responsible: Francisco C. DaFonte

DTE-RR Sup. 1-5:

Please refer to the Company's Motion for Clarification at page 4. Please outline and discuss "the difficulties associated with physical implementation" of the GCIM referred to here. In your response, please discuss whether Bay State outlined "the difficulties" in its prior filings. If not, please explain why?

Response:

The Company's filing assumed that 100% of domestic gas purchases (equal to approximately 25% of total normal year requirements) would be included in the program. Domestic gas purchases constitute one discrete block of contracts, which can be easily tracked for purposes of implementing the GGIM. Including only 25% of residential purchases means that only a portion of domestic gas purchases is subject to the GCIM. It would be extremely difficult for the Company to track which part of a particular domestic gas purchase served residential customers. This would require the Company to determine on a daily basis, the requirements of its residential customer class separate from its total system requirements based on Effective Degree Days ("EDD"). As explained in the response to DTE-RR Sup. 1-6, Bay State determines daily demand requirements on an aggregate customer basis and does not distinguish demand by customer class. Further, once the demand requirements are calculated, the Company makes its purchases on an aggregate basis. That is, the Company does not make purchases so as to " earmark" or "stream" a particular supply to a distinct customer class. Under the Company's proposal, this problem is avoided since all domestic gas purchases are subject to the GCIM.

Further, from a portfolio management perspective, all of Bay State's long and short-term activities would need to be carried out independently for residential and C&I customers. This would include planning storage injections and withdrawals and daily dispatch planning. Benefits of

operating Bay State's portfolio on an integrated basis would be diminished, which would lead to higher costs.

Bay State did not address these "difficulties" in any prior filings because its own proposal for segregating the C&I class from the impact of any GCIM-related portfolio strategies did not entail limiting the physical implementation to 25% of Bay State's normal residential requirements as opposed to 25% of normal year requirements.

One of Bay State's objectives in its GCIM proposal was to create a program whose performance metrics provided for a streamlined regulatory review process. FCD testimony p.15, lines 11-12. Bay State's initial proposal provided that all domestic purchases are subject to benchmarking in order to maintain a fair and unbiased program and to avoid unnecessarily complicating the GCIM.